

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00

EB-07 INR-05 NSAE-00 RSC-01 FAA-00 ACDA-05 IO-10

PM-03 H-01 L-02 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 SAJ-01 OMB-01 /081 W
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FM USMISSION USBERLIN

TO SECSTATE WASHDC 203

INFO AMEMBASSY ANKARA

AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY LONDON

AMCONSUL ISTANBUL

AMEMBASSY ATHENS

AMEMBASSY SOFIA

USMISSION NATO

C O N F I D E N T I A L USBERLIN 2197

E.O. 11652: GDS

TAGS: WB, GW, US, UK, EAIR, TU

SUBJECT: THY-ALLIED CARRIER NEGOTIATIONS ON BERLIN GUEST WORKER
FLIGHTS

REF: (A) ANKARA 8494; (B) USMISSION BERLIN 2047;
(C) BERLIN 1218; (D) STATE 262715

1. SUMMARY: NOVEMBER 18-20 ISTANBUL NEGOTIATIONS BETWEEN
THY AND ALLIED CARRIERS PAN AM, DANAIK AND LAKER ENDED WITH
ALLIED CARRIERS UNWILLING TO AGREE ON LEVEL OF REDUCED
FARES AND AMOUNT OF CONTINUED ROYALTIES TO COMPENSATE THY
FOR ELIMINATION OF SCHOENEFELD OPERATIONS. ALLIED CARRIERS
ALSO REJECTED ALTERNATE THY PROPOSAL TO DROP ROYALTIES AND
CONTINUE THY SCHOENEFELD FLIGHTS ON "COMPLETELY FREE
COMPETITION" BASIS. PAN AM HAS MADE NO PROGRES IN PRIVATE
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PROJECT OF GETTING POOLING ARRANGEMENT WITH THY WHICH WOULD

CUT OUT DANAIR AND LAKER. PAN AM'S NEXT PREFERENCE IS TO PAY ROYALTY AND ELIMINATE SCHOENEFELD LANDINGS. BERLIN CITY GOVERNMENT AND MISSION ALSO PREFER SOLUTION WHICH WOULD ELIMINATE SCHOENEFELD FROM GUEST WORKER CHARTER FLIGHTS. END SUMMARY.

2. SENAT HAS INFORMED MISSION THAT THEY REPRESENTATIVES AT OUTSET OF ISTANBUL NEGOTIATIONS EMPHASIZED THAT THERE WOULD BE NO ENDING OF THY FLIGHTS FROM SCHOENEFELD WITHOUT AGREEMENT ON LOWER CHARTER FARES FROM BERLIN TO ANKARA AND CONTINUED PAYMENT OF ROYALTIES TO THY. DURING TALKS ON NOVEMBER 18 THY REPRESENTATIVES PROPOSED MAXIMUM CHARTER PRICE OF DM 360 WHICH WOULD INCLUDE DM 60 ROYALTY FOR THY. ALLIED CARRIERS COUNTERED WITH OFFER OF MINIMUM DM 425 FARE INCLUDING DM 18 ROYALTY. THY REPRESENTATIVES FOUND THIS UNACCEPTABLE.

3. ON NOVEMBER 19 THY MADE FOLLOWING ALTERNATIVE PROPOSAL: (A) NO ROYALTIES; (2) CONTINUED FLIGHTS FROM SCHOENEFELD; AND (3) "ABSOLUTELY FREE COMPETITION IN GUEST WORKER CHARTER FLIGHTS BETWEEN THE CARRIERS." PACKAGE WAS COMBINED WITH SUGGESTION THAT ALLIED CARRIERS ELIMINATE EXCESSIVE NUMBER OF SUB-AGENTS INVOLVED IN CHARTER FLIGHTS AND THEMSELVES ORGANIZE FLIGHTS IN SAME MANNER AS THY. PANAM REJECTED SUGGESTION AND WITHDREW AT CONCLUSION OF SCHEDULED TWO DAYS NEGOTIATIONS. UNSCHEDULED CONTINUATION OF NEGOTIATIONS ON NOVEMBER 20, WITHOUT PANAM, RESULTED ONLY IN DANAIR AND LAKER AGREEING TO EXAMINE THY PROPOSALS FURTHER AND TO REPLY BEFORE DECEMBER 5.

4. DURING COURSE OF DISCUSSIONS, THEY OUTLINED ITS METHOD OF CALCULATION TO SET FARES FOR BERLIN-ANKARA CHARTER FLIGHTS. ALLIED CARRIERS WERE AGREED THESE CALCULATIONS WERE BASED ON TOO SHORT A FLIGHT TIME, BECAUSE THEY IGNORED SPECIAL FACTORS IN CORRIDOR FLIGHTS, AND THAT THY GENERALLY USED OUTDATED COST INFORMATION. IN THEIR VIEW THY ALSO OMITTED CERTAIN OVERHEAD COSTS, DRAWING ON THY PRACTICE OF SUBSIDIZING CHARTER FLIGHT OVERHEAD WITH INCOME DERIVED FROM SCHEDULED FLIGHTS. BERLIN CITY GOVERNMENT OBSERVER AT NEGOTIATIONS REPORTED TO HIS AUTHORITIES THAT THY DID NOT SEEM PREPARED TO ACCEPT REASONABLE SOLUTION OF CHARTER PROBLEM. CONFIDENTIAL

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HE BELIEVED THY WAS UNDER POLITICAL PRESSURE TO UTILIZE ITS OVERCAPACITY BY PROVIDING CHARTER SERVICES FOR TURKISH GUEST WORKERS ON VERY FAVORABLE TERMS, POSSIBLY WITH SOME SHORT OF SUBSIDY FROM TURKISH GOVERNMENT.

5. PAN AM TELLS US ITS IDEAL SOLUTION WOULD BE TO POOL MARKET WITH THY, WHICH WOULD SPLIT REVENUES AND CUT OUT DANAIR AND LAKER. IT HAS MADE LITTLE PROGRESS

ON THESE LINES, BUT DID RECEIVE ON NOVEMBER 30 TURKISH PERMISSION TO CONTINUE LANDINGS IN ANKARA THROUGH DECEMBER, WITHOUT COMMITMENT TO PAY ROYALTIES FOR MONTH. PAN AM'S SECOND FAVORED SOLUTION WOULD BE TO ELIMINATE SCHOENEFELD LANDINGS AND CONTINUED PAYMENT OF ROYALTIES TO THY, PROVIDED MARKETABLE PRICE FOR CHARTERS IS AGREED. PRESSURE ON AMOUNT OF ROYALTY COMES FROM PRACTICAL LIMIT ON FARES, WHICH IN PRACTICE SHOULD NOT EXCEED LOWER FARES OF CHARTERS FROM WEST GERMANY TO ANKARA, PLUS COST OF TRAVEL FROM BERLIN TO PLACE OF CHARTER FLIGHTS IN WEST GERMANY.

6. BERLIN CITY OFFICIALS, FOR THEIR PART, PREFER AN ARRANGEMENT WHICH WOULD CUT OUT SCHOENEFELD FLIGHTS. THEY PREFER THIS NOT ONLY BECAUSE THEY DO NOT WISH GDR AIRFIELD TO GAIN AT TEGEL'S EXPENSE, BUT ALSO BECAUSE FLOW OF ILLEGAL IMMIGRANTS TO WEST BERLIN IS GROWING PROBLEM. ILLEGALS LAND IN SCHOENEFELD AND FILTER INTO WEST BERLIN VIA SUBWAY SYSTEM. MISSION CONSIDERS CONTINUED SCHOENEFELD OPERATIONS LEAST DESIRABLE SOLUTION.

7 AS POINTED OUT REF C, GRANTING OF WEST BERLIN LANDING RIGHTS TO THY OFFERED WAY OF SECURING TURKISH COOPERATION REGARDING SCHOENEFELD. WE WOULD BE INTERESTED IN ANY RESPONSE WHICH LETTER TO GOT GRANTING LANDING RIGHTS (AUTHORIZED REF D), MAY PRODUCE.SELIGMANN

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